

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CRITTENDEN-LIVINGSTON )	
COUNTY WATER DISTRICT FOR APPROVAL )	
TO ENTER INTO A LEASE AGREEMENT WITH )	
THE KENTUCKY ASSOCIATION OF COUNTIES )	
LEASING TRUST IN AN APPROXIMATE )	CASE NO.
PRINCIPAL AMOUNT OF \$2,105,000 FOR THE )	2018-00047
PURPOSE OF REFINANCING CERTAIN )	
OUTSTANDING OBLIGATIONS OF THE )	
CRITTENDEN-LIVINGSTON COUNTY WATER )	
DISTRICT )	

ORDER

On January 30, 2018, Crittenden-Livingston County Water District (“Crittenden-Livingston”) filed an application seeking Commission authority to refinance certain debt of up to \$2,105,000 via a lease agreement with the Kentucky Association of Counties Finance Corporation (“KACOFC”). On February 19, 2018, the Commission issued Commission Staff’s First Request for Information to Crittenden-Livingston (“Staff’s First Request”) to clarify certain issues in this case. Crittenden-Livingston filed its response to Staff’s First Request on March 1, 2018. On March 8, 2018, the Commission issued Commission Staff’s Second Request for Information to Crittenden-Livingston (“Staff’s Second Request”) for additional information. Crittenden-Livingston filed its response to Staff’s Second Request on March 19, 2018. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record. Crittenden-Livingston intends to use the proceeds from the proposed KACOFC lease to refinance and discharge \$2,105,000 of outstanding indebtedness to the U.S.

Department of Agriculture, acting through Rural Development (“RD”). The outstanding RD balance consists of two fixed-rate debts with original principal amounts of \$884,000 and \$2,000,000, with identical interest rates of 4.5 percent.<sup>1</sup> Crittenden-Livingston proposed to refinance this RD indebtedness and the outstanding principal amounts of approximately \$550,000 and \$1,585,000, totaling \$2,135,000, with one lease agreement of a total principal of \$2,105,000 with a 25-year term subject to interest rates that will vary between 3.1 percent and 4.1 percent per annum.<sup>2</sup> The difference between the outstanding principal and the lease agreement principal reflects payments that will be made between the application date and the refinancing date.<sup>3</sup> Crittenden-Livingston requested that a decision be rendered by March 12, 2018, to avoid jeopardizing the potential interest cost savings due to the possibility of rising interest rates in the future.<sup>4</sup>

Crittenden-Livingston stated that the KACOFB loan will provide the funds necessary to refund the RD indebtedness and pay the fees and expenses incident to the issuance of the loan.<sup>5</sup> Crittenden-Livingston provided a cash flow analysis which indicates that the refinancing would save \$78,395 over the life of the proposed loan, resulting in a positive net present value (“NPV”) cash flow of \$62,641.<sup>6</sup>

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<sup>1</sup> Application Exhibit D, Page 21.

<sup>2</sup> Crittenden-Livingston’s response to Staff’s Second Request for Information, Exhibit A.

<sup>3</sup> *Id.* at Item 2.

<sup>4</sup> Crittenden-Livingston’s response to Staff’s First Request for Information, Item 7.

<sup>5</sup> Application Paragraph 7.

<sup>6</sup> Crittenden-Livingston’s response to Staff’s First Request for Information Exhibit D.

The Commission has reviewed the proposed refinancing and finds Crittenden-Livingston's proposal to be reasonable due to the lower effective interest rate and cash flow savings Crittenden-Livingston would see over the period of the loan. However, should the new interest rate on the proposed refinancing be higher than the range of interest rates set forth in Crittenden-Livingston's Response to Commission Staff's Second Request for Information, Crittenden-Livingston should not proceed with the refinancing unless the NPV of the refinancing results in a positive cash flow. The Commission commends Crittenden-Livingston for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its member-consumers.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The proposed loan from KACOFC is for lawful objects within the corporate purposes of Crittenden-Livingston, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

2. Crittenden-Livingston should execute its note as security for the proposed loan in the manner described in its application.

3. The final amounts of the RD payoff, the legal fees, and the new KACOFC loan will not be known until the refinancing transaction is finalized. Therefore, Crittenden-Livingston should provide the Commission an updated version of the response to Staff's Second Request, Exhibit B at 5, reflecting the cash flow analysis of the new KACOFC loan within ten days of finalizing the transaction.

4. Within ten days of the execution of the new KACOFC loan documents, Crittenden-Livingston should file with the Commission one copy in paper medium and an electronic version of the loan documents.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Crittenden-Livingston's application.

6. The terms and conditions of the new KACOFC loan should be consistent with the KACOFC refinancing program as described in Crittenden-Livingston's application.

IT IS THEREFORE ORDERED that:

1. Crittenden-Livingston is authorized to borrow from KACOFC up to \$2,105,000, but no more than the total amount needed to pay off the RD indebtedness proposed to be refinanced as identified in the application on the condition that the final NPV of the savings, determined upon closing, generate a positive cash flow. The loan maturity date and interest rate shall be in accordance with the KACOFC refinancing program as described in Crittenden-Livingston's application.

2. Crittenden-Livingston shall execute the KACOFC loan documents as authorized herein.

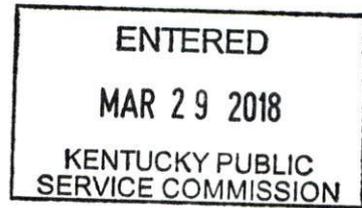
3. Crittenden-Livingston shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

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By the Commission



ATTEST:

A handwritten signature in blue ink, appearing to read "Steve R. Purson". The signature is written in a cursive style and is positioned above a horizontal line.

Executive Director

Case No. 2018-00047

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